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May 28, 2010

VIA E-MAIL AND FED EX OVERNIGHT DELIVERY

Christopher J. Plaisted
NOAA Office of General Counsel
Suite 4470
501 West Ocean Boulevard
Long Beach, CA 90802

Harriet M. Deal
United States Department of the Interior
Office of the Solicitor
75 Spring Street, SW
Atlanta, GA 30303

William A. Gunter
Alabama Department of Conservation and Natural Resources
64 N. Union Street, Room 474
Montgomery, Alabama 36104

Stephanie C. Morris
Louisiana Department of Public Safety & Corrections
Oil Spill Coordinator's Office
P.O. Box 66614, Slot B4
Baton Rouge, Louisiana 70896

Lisa Thompson Ouzts
Mississippi Department of Environmental Quality
P.O. Box 2261
Jackson, Mississippi 39225-2261

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Michael W. Sole, Secretary
Florida Department of Environmental Protection
3900 Commonwealth Boulevard
Mail Station 10
Tallahassee, FL 32399-3000

**Re: DEEPWATER HORIZON - Oil Pollution Act: Funding for Natural Resource Damage
Preassessment and Assessment Activities**

Dear Counsel:

This is to confirm that BP Exploration and Production Inc. ("BP") commits to provide funding for preassessment and assessment activities as set forth in the Oil Pollution Act Natural Resource Damage Assessments regulations (15 C.F.R. Part 990) to the federal and state Natural Resource Trustees ("Trustees") in their assessment of the natural resources threatened or harmed by the discharges of oil from the drilling platform *Deepwater Horizon* into the waters of the Gulf of Mexico beginning on April 20, 2010 (collectively "NRD Assessment"). We understand that the Trustees are coordinating their activities in accordance with 15 C.F.R. § 990.14, which allows for participation of cooperating responsible parties and the public.

As provided by this letter, BP agrees to pay the reasonable assessment costs (including for preassessment phase activities) previously incurred and to be incurred by the following Trustees: the Department of the Interior (DOI), the National Oceanic and Atmospheric Administration (NOAA), and the States of Alabama, Florida, Louisiana, and Mississippi. BP may extend a similar offer to other state, federal or tribal natural resource trustees that are identified later, provided those trustees commit to coordinate their preassessment and assessment activities with the Trustees represented in this letter and are willing to participate in a cooperative assessment process pursuant to 15 C.F.R. § 990.14.

BP also confirms that the costs associated with activities conducted pursuant to any joint BP / Trustee Action Plan ("Joint Action Plan") as part of the field level procedures for planning and implementing pre-assessment and assessment activities are considered reasonable costs of assessment. The "Field Plan for Water-Column Profiling to Measure Dissolved-Phase Aromatic Hydrocarbons and Free Oil Droplets as a Function of Depth and Location Relative to the Subsurface Oil Release" is an example of a Joint Action Plan.

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To ensure the timely implementation of natural resource assessment activities, BP agrees to provide the payments outlined below to each Trustee within ten (10) days of the date of this letter (herein "Initial Assessment Payment"). This Initial Assessment Payment will be used to reimburse the Trustees' statutorily authorized and recoverable assessment costs incurred to date and to fund certain future natural resource assessment activities for this incident. These funds will be paid directly to each Trustee identified below pursuant to instructions to be provided by that Trustee. Trustees not seeking an initial payment may seek reimbursement from BP by submitting a written request and supporting documentation to me at the address above as well as:

Jean Martin, Esq.
BP America Inc
501 Westlake Park Blvd.
Houston, Texas 77079
Jean.Martin@bp.com

Donna B. Ward, Esq.
BP America Inc
501 Westlake Park Blvd
Houston, Texas 77079
Donna.Ward@bp.com

Initial payments will be made as follows:

1. DOI/NOAA - \$20,000,000.00
2. State of Louisiana - \$10,000,000.00
3. State of Mississippi - \$3,044,242.00
4. State of Alabama - \$4,000,000.00
5. State of Florida - \$8,000,000.00

BP acknowledges that the Trustees retain the right to seek additional payments or advances for assessment costs that exceed these initial payments.

BP further offers to enter into discussions with the Trustees on a formal cooperative framework that would establish a mechanism for coordinating assessment work and provide for ongoing reimbursement of Trustee assessment costs. As part of these discussions, BP will request customary accounting for all past activities paid for by the Initial Assessment Payment, standard information sharing provisions and clear methods for funding future Joint Action Plans and staff time (but excluding studies that are not Joint Action Plans).

BP's agreement to make the Initial Assessment Payment pursuant to this letter is without prejudice to any party's position with respect to liability, injuries or damages arising out of the

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discharges of oil from the *Deepwater Horizon*.

BP agrees that the Initial Assessment Payment does not constitute satisfaction of any of the Trustees' potential claims with respect to this matter except for claims for costs that are paid by the Initial Assessment Payment. This payment shall not be treated as an election by any Trustee to participate in any given statutory scheme. Except as otherwise provided herein (i.e. with regard to Joint Action Plans), BP reserves its right to assert in the future that any assessment studies paid for by the Initial Assessment Payment do not constitute a reasonable cost of assessment.

BP is committed to a cooperative NRD Assessment process based upon open communications and sound science. We hope to work together with the Trustees in our joint efforts to assess the injuries from the Deepwater Horizon incident and quickly and effectively restore those injuries, as provided by federal and state law.

Sincerely,



Brian D. Israel

cc: Rupert Bondy, Group General Counsel, BP Legal
Jean Martin, Senior Attorney – Health, Safety & Environment, BP Legal
Donna Ward, Managing Attorney, BP Legal